

MUNICIPALITY SETSOTO
MMASEPALA WA SETSOTO MUNICIPALITEIT



Setsoto Local Municipality

Annual Financial Statements
for the year ended 30 June 2011

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Legal form of entity	Municipality
Mayor	Jakobo, Tshediso
Executive Committee	Koalane, Komane Mthimkhulu, Motena Mahlangu, Matseliso Lithebe, Moeletsi Makae, Thabang Strydom, Evert
Councillors	Mothibeli, Moselantja Mohapi, Dieketseng Mokhuoane, Krog Motsei, Matlakala Selasi, Motsamai Modire, Lehlaku Nakasi, Mojabeng Bath, Henry Thamae, Motsamai Makhalanyane, Tieho Mohala, Vunga Kere, Lefa Mavaliso, Pakalitha Maduna, Mbothoma Semahla, Mookho Maphisa, Mapuleng Muso, Tshepiso Tsolo, Thabiso Malebo, Matsiliso Mohlomi, Molefi Fuso, Sabata Raboroko, Mantwa Mohase, Teboho Selai, Lithebe Lubbe, Cornelias Du Toit, Benjamin Marwick, Clive Bester, Catherine
Grading of local authority	06
Accounting Officer	B.J Mthembu

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Chief Finance Officer (CFO)

M.C Mabuya

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Business address	27 Voortrekker Street Ficksburg 9730
Postal address	P O Box 116 Ficksburg 9730
Bankers	First National Bank (FNB)
Auditors	Auditor General of South Africa (AGSA)
Telephone Number	(051) 933 9300
Fax Number	(051) 933 9343
E-mail Address	manager@setsoto.co.za

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Index

The reports and statements set out below comprise the annual financial statements presented to the auditor general of south africa (agsa):

Contents	Page
Accounting Officer's Responsibilities and Approval	7
Statement of Financial Position	8 - 9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash flow statement	12
Notes to the Annual Financial Statements	26 - 48
Appendixes:	
Appendix A: Schedule of External loans	49
Appendix B: Analysis of Property, Plant and Equipment	52
Appendix D: Segmental Statement of Financial Performance	56
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	58

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially its scale.

The annual financial statements set out on pages 8 to 48, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Accounting Officer
B.J Mthembu

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

	Note(s)	2011 R	2010 R
Assets			
Current Assets			
Inventories	5	1 744 376	1 281 881
Other financial assets	4	10 006 881	14 367 857
Trade and other receivables from exchange transactions		4 536	-
Other receivables from non-exchange transactions	6	1 100 387	2 044 056
VAT receivable	7	6 829 677	2 435 440
Consumer debtors	8	64 085 621	53 645 956
Other asset		3 573	3 573
Cash and cash equivalents	9	4 300 406	3 656 199
		88 075 457	77 434 962
Non-Current Assets			
Property, plant and equipment	3	210 513 554	323 154 016
Other financial assets	4	1 131 714	1 106 770
Other asset		8 439	12 012
		211 653 707	324 272 798
Non-Current Assets		211 653 707	324 272 798
Current Assets		88 075 457	77 434 962
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		299 729 164	401 707 760
Liabilities			
Current Liabilities			
Other current financial liabilities		3 342 020	3 582 728
Finance lease obligation	10	4 255 768	3 809 013
Trade and other payables from exchange transactions	13	12 551 924	18 459 235
Taxes and transfers payable (non-exchange)	38	16 927 633	12 068 492
Consumer deposits	14	1 997 051	1 963 685
Unspent Conditional grants and receipts	11	16 479 977	32 205 544
Bank overdraft	9	31 241 798	20 189 599
		86 796 171	92 278 296
Non-Current Liabilities			
Other non current financial liabilities		8 075 240	10 909 182
Finance lease obligation	10	2 437 369	6 711 191
Provisions	12	4 853 809	4 116 305
		15 366 418	21 736 678
Non-Current Liabilities		15 366 418	21 736 678
Current Liabilities		86 796 171	92 278 296

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Liabilities of disposal groups

Total Liabilities - -
102 162 589 114 014 974

Assets 299 729 164 401 707 760

Liabilities (102 162 589)(114 014 974)

Net Assets **197 566 575 287 692 786**

Net Assets

Reserves

Revaluation reserve 28 471 476 -

Other NDR 271 297 271 810

Accumulated surplus 168 823 802 287 420 976

Total Net Assets **197 566 575 287 692 786**

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

	Note(s)	2011 R	2010 R
Revenue from exchange transactions			
Service charges	16	95 427 270	86 241 547
Rental of facilities and equipment	18	435 891	688 892
		95 863 16	86 930 43
Revenue from non-exchange transactions			
Property rates	15	23 679 681	22 491 097
Interest received (trading)		11 835 982	17 579 202
Fines		296 925	295 724
Licences and permits		756	4 706
Government grants & subsidies	17	198 301 938	130 983 940
		234 115 28	171 354 66
Administration and management fees received		13 026 896	12 406 566
Sale of land		1 184 211	58 687
Other income	19	1 466 897	4 177 303
Interest received - investment		2 344 364	600 665
Total income		348 000 811	275 528 329
Expenditure			
Personnel	21	(81 741 722)	(80 380 864)
Remuneration of councillors	22	(8 143 684)	(8 013 149)
Depreciation and amortisation	23	(18 613 645)	(30 968 307)
Finance costs	24	(2 850 122)	(4 059 819)
Debt impairment	41	(56 657 462)	(79 879 079)
Collection costs		(23 394)	(20 067)
Repairs and maintenance		(11 955 766)	(9 512 605)
Bulk purchases	27	(30 341 173)	(26 119 580)
Grants and subsidies paid	26	(13 384 929)	(14 861 718)
General Expenses	20	(53 571 052)	(48 478 801)
Total Expenditure		(277 282 949)	(302 293 989)
Revenue		348 000 811	275 528 329
Expenditure		(277 282 949)	(302 293 989)
Other		-	-
Surplus (deficit) for the year		70 717 862	(26 765 660)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

	Revaluation reserve R	Other NDR R	Total reserves R	Accumulated surplus R	Total net assets R
Balance at 01 July 2009	-	271 810	271 810	314 186 636	314 458 446
Changes in net assets					
Surplus/(deficit) for the period	-	-	-	(26 765 660)	(26 765 660)
Total changes	-	-	-	(26 765 660)	(26 765 660)
Opening balance as previously reported	-	271 810	271 810	283 401 369	283 673 179
Adjustments					
Correction of prior period error	-	-	-	4 019 603	4 019 603
Balance at 01 July 2010 as restated	-	271 810	271 810	287 420 972	287 692 782
Changes in net assets					
Revaluation: Land and buildings	28 471 476	-	28 471 476	-	28 471 476
Net income (losses) recognised directly in net assets	28 471 476	-	28 471 476	-	28 471 476
Surplus/(deficit) for the period	-	-	-	70 717 862	70 717 862
Total recognised income and expenses for the year	28 471 476	-	28 471 476	70 717 862	99 189 338
Correction Asset Register	-	(513)	(513)	(189 315 032)	(189 315 545)
Total changes	28 471 476	(513)	28 470 963	(118 597 170)	(90 126 207)
Balance at 30 June 2011	28 471 476	271 297	28 742 773	168 823 802	197 566 575

Note(s)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash flow statement

	Note(s)	2011 R	2010 R
Cash flows from operating activities			
Receipts			
Taxation		23 679 681	22 491 097
Sale of goods and services		95 427 270	86 241 547
Grants		198 301 938	130 983 940
Interest income received		2 344 364	600 665
Other receipts		15 220 663	35 305 871
		334 973 916	275 623 120
Payments			
Employee costs		(89 885 406)	(88 394 013)
Finance costs		(2 850 122)	(4 059 819)
Other payments		(182 990 376)	(141 792 604)
		(275 725 904)	(234 246 436)
Total receipts		334 973 916	275 623 120
Total payments		(275 725 904)	(234 246 436)
Net cash flows from operating activities	28	59 248 012	41 376 684
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(66 610 886)	(25 670 838)
Purchase of investment property		(483 010)	-
Proceeds from sale of financial assets		4 336 032	(13 562 897)
Proceeds from sale of other asset		3 573	3 572
Net cash flows from investing activities		(62 754 291)	(39 230 163)
Cash flows from financing activities			
Repayment of other current financial liabilities		(3 074 650)	(3 664 875)
Finance lease payments		(3 827 067)	(423 151)
Net cash flows from financing activities		(6 901 717)	(4 088 026)
Net increase/(decrease) in cash and cash equivalents		(10 407 996)	(1 941 505)
Cash and cash equivalents at the beginning of the year		(16 533 400)	(14 591 895)
Cash and cash equivalents at the end of the year	9	(26 941 396)	(16 533 400)

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of annual financial statements

Setsoto Local Municipality is a local government institution. The address of its registered office, principal place of business and its principal activities are disclosed under "General Information" in the annual report.

2. Presentation of annual financial statements

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

2.2 Going concern assumption

The annual financial statements have been prepared on a going concern basis. Refer to Note 32 for a detailed information.

2.3 Functional and presentation currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

2.4 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting Policies

2.6 Property, plant and equipment

Initial recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets, the cost of the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset given up.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When the use of a property changes from owner-occupied to investment property carried at fair value using the fair value model, the property is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is treated in the same way as a revaluation in terms of GRAP 17 as follows:

- any resulting decrease in the carrying amount of the property is recognised in surplus or deficit. However, to the extent that an amount is included in a revaluation surplus for that property, the decrease is charged against that revaluation surplus.
- any resulting increase in the carrying amount is treated as follows:
 - to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in surplus or deficit. The amount recognised in surplus or deficit does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised.
 - any remaining part of the increase is credited directly to the revaluation surplus in net assets. On subsequent disposal of the investment property, the revaluation surplus included in net assets may be transferred to accumulated surpluses or deficits. The transfer from revaluation surplus to accumulated surpluses or deficits is not made through surplus or deficit.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Accounting Policies

2.6 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is however debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus relating to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

Subsequent cost

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in surplus or deficit as incurred.

Depreciation

Depreciation is calculated over the depreciable amount using the straight line method.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 *Non-current assets held for sale and discontinued operations*. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Heritage assets and land are not depreciated.

Rehabilitation costs capitalised to the cost of landfill sites are written off on a straight-line basis over the estimated useful lives of the sites.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The useful lives for the current and previous financial year are as follows:

Item	Estimated useful life
Infrastructure assets	
• Electricity	20 - 30
• Roads	10 - 30
• Water	15 - 20
• Sewerage	15 - 20
Community assets	

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

2.6 Property, plant and equipment (continued)

• Buildings	30
• Recreational facilities	20
• Security measures	3 - 5
Other assets	
• Office equipment	3 - 7
• Furniture and fittings	7 - 10
• Motor vehicles	5 - 7
• Buildings	30
• Specialised vehicles	20
• Emergency equipment	5 - 15
• Plant and equipment	2 - 5
• Specialised plant and equipment	10 - 15

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Spare parts

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other revenue in surplus or deficit.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The depreciation expense for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any,

Accounting Policies

2.6 Property, plant and equipment (continued)

and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

2.7 Financial instruments

Classification

The municipality classifies financial instruments, or their component parts, on initial recognition as financial assets, a financial liabilities or equity instruments in accordance with the substance of the contractual arrangement.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment losses.

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity. Held-to-maturity investments are initially recognised at fair value plus direct transaction costs. At subsequent reporting dates, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the municipality from classifying investment securities as held-to-maturity for the current and the following two financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

2.8 Inventories

Accounting Policies

2.8 Inventories (continued)**Cost**

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is generally determined using the weighted average method except where stated otherwise.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Unsold properties are measured at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down to net realisable value and sold by public auction.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water inventory represents water housed in dams within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

2.9 Impairment**Financial assets**

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

Accounting Policies

2.9 Impairment (continued)

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment.

The municipality considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been recognised in net assets, and presented in the fair value reserve, to surplus or deficit. The cumulative loss that is removed from the fair value reserve and recognised in surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in surplus or deficit. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in surplus or deficit, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in net assets.

Impairment losses are not subsequently reversed for equity instruments which are carried at cost because fair value was not determinable.

Non-financial assets

Cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Accounting Policies

2.9 Impairment (continued)

The carrying amounts of the municipality's cash generating non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually.

If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of impairment testing, assets are therefore grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit.

Impairment losses recognised in respect of cash-generating units are allocated on a pro rata basis to reduce the carrying amounts of the other assets in the unit. The allocation of impairment losses to assets in a cash generating unit may not reduce the carrying amount of such assets below the highest of its fair value less costs to sell, value in use and zero.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of its recoverable amount the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

2.10 Revenue

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

Revenue from exchange transactions

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits or service potential can be measured reliably, except when specifically stated otherwise. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Accounting Policies

Revenue from exchange transactions (continued)

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

Interest, royalties and dividends

Interest earned and rentals received is recognised as and when it accrues.

Rental income from operating leases is recognised when it accrues.

Dividends

Dividends are recognised on the date that the municipality's right to receive the dividend has been established.

Revenue from non-exchange transactions

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

Rates and taxes

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the municipality.

Receipt of community services in exchange for a fine is not recognised as revenue.

Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential

Accounting Policies

Revenue from non-exchange transactions (continued)

will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

2.11 Provisions

A provision is recognised if, as a result of a past event, the municipality has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

2.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

Accounting Policies

2.12 Employee benefits (continued)

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

2.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - municipality as lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the asset is account for in accordance with the accounting policy applicable to that asset.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Operating leases - municipality as lessor

Operating lease revenue is recognised as revenue as and when it accrues.

Finance sale and leaseback**Operating sale and leaseback****2.14 Donations and grants in aid**

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

2.14 Donations and grants in aid (continued)

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

2.15 Tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

2.16 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.17 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

2.18 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as a receivable in the statement of financial position until such expenditure is recovered or written off as irrecoverable.

2.19 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

2.19 Comparative figures (continued)

are disclosed in the relevant note.

2.20 Housing development fund

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997). Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality should maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires, in terms of Section 14(4)(d)(ii)(aa) – read with, inter alia, Section 16(2) – that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the municipality for housing development in accordance with the National Housing Policy.

2.21 Accounting estimates and judgements

Impairment of trade and other receivables

The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the requirements of IAS 39. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

Provisions

The provisions raised by the municipality are detailed in note 12. These provisions represent management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Critical judgements in applying accounting policies

Depreciation and the carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

1.1 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011			2010		
	R			R		
3. Property, plant and equipment						
	2011			2010		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Land	72 909 500	-	72 909 500	42 472 594	-	42 472 594
Leasehold property	15 358 668	(8 721 738)	6 636 930	28 547 323	(13 045 448)	15 501 875
Infrastructure	525 628 778	(406 518 025)	119 110 753	445 380 838	(184 319 649)	261 061 189
Community	5 459 350	-	5 459 350	7 424 780	(5 192 840)	2 231 940
Other property, plant and equipment	23 326 521	(16 944 527)	6 381 994	9 068 690	(7 182 273)	1 886 417
Artwork	-	15 027	15 027	13 144 053	(13 144 052)	1
Total	642 682 817	(432 169 263)	210 513 554	546 038 278	(222 884 262)	323 154 016

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Revaluations	Other changes, movements	Depreciation	Impairment loss / Corrections	Total
Land and Buildings	42 472 594	-	30 436 906	-	-	-	72 909 500
Leasehold property	15 501 875	-	-	(13 188 655)	(2 953 616)	7 277 326	6 636 930
Infrastructure	261 061 189	62 086 756	-	18 161 184	(13 847 602)	(208 350 774)	119 110 753
Community	2 231 940	-	(1 965 430)	-	-	5 192 840	5 459 350
Other property, plant and equipment	1 886 417	4 524 130	-	9 733 701	(1 812 427)	(7 949 827)	6 381 994
Artwork	-	-	-	-	-	-	15 027
	323 154 015	66 610 886	28 471 476	14 706 230	(18 613 645)	(203 830 435)	210 513 554

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land	44 022 828	-	(1 550 234)	42 472 594
Leasehold property	15 419 696	2 829 378	(2 747 199)	15 501 875
Infrastructure	264 143 864	22 345 064	(25 427 738)	261 061 189
Community	2 259 701	178 713	(206 474)	2 231 940
Other property, plant and equipment	2 603 397	317 683	(1 034 663)	1 886 417
Artwork	-	-	-	1
	328 449 486	25 670 838	(30 966 308)	323 154 016

Assets subject to finance lease (Net carrying amount)

Leasehold property	6 636 930	15 501 875
--------------------	-----------	------------

Details of properties

Clinic assets to the book value of R 911 008 are included and will be removed from the asset register once the title deed of the assets are formally transferred to the Department of Health. Once the municipality receives the title deed of erf 636, Senekal as a donation from the Department of Public Works, the amount of R 1 188 000 will be added to the asset register.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
4. Other financial assets		
At fair value through profit or loss - held for trading		
Listed shares	172 560	172 560
Sanlam Shares		
Unlisted shares	106 309	106 309
OVK / EFC Shares		
	278 869	278 869
Held to maturity		
Other financial assets	10 859 726	15 195 758
Fixed Deposits		
Loans and receivables		
Loans and receivables (impairments)	-	-
Non-current assets		
At fair value through profit or loss - held for trading	278 869	278 869
Held to maturity	852 845	827 901
	1 131 714	1 106 770
Current assets		
Held to maturity	10 006 881	14 367 857
Non-current assets	1 131 714	1 106 770
Current assets	10 006 881	14 367 857
	11 138 595	15 474 627
The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.		
5. Inventories		
Inventories	1 384 133	-
Consumable stores	-	49 836
Maintenance materials	-	920 817
Water	360 243	311 228
	1 744 376	1 281 881
6. Other receivables from non-exchange transactions		
Government grants and subsidies	233 236	233 236
Insurance claims	638 261	1 695 955
Prepayments (Various)	228 890	114 865

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
6. Other receivables from non-exchange transactions (continued)		
	1 100 387	2 044 056
7. VAT receivable		
VAT receivable	6 829 677	2 435 440
VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.		
8. Consumer debtors		
Gross balances		
Rates	19 705 693	15 689 300
Electricity	22 571 804	11 161 178
Water	92 959 244	46 906 615
Sewerage	58 244 218	30 879 648
Refuse	80 926 665	41 869 580
Other (specify)	19 749 473	88 256 341
	294 157 097	234 762 662
Less: Provision for debt impairment		
Rates	(9 096 063)	(12 104 115)
Electricity	(8 757 858)	(8 610 721)
Water	(80 449 170)	(36 187 916)
Sewerage	(49 885 667)	(23 823 295)
Refuse	(70 620 247)	(32 301 902)
Other (specify)	(11 262 471)	(68 088 757)
	(230 071 476)	(181 116 706)
Net balance		
Rates	10 609 630	3 585 185
Electricity	13 813 946	2 550 457
Water	12 510 074	10 718 699
Sewerage	8 358 551	7 056 353
Refuse	10 306 418	9 567 678
Other (specify)	8 487 002	20 167 584
	64 085 621	53 645 956
Rates		
Current (0 -30 days)	894 049	969 023
31 - 60 days	494 856	526 668
61 - 90 days	457 788	446 719
91 - 120 days	13 977 259	421 063

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
8. Consumer debtors (continued)		
121 - 365 days	3 881 517	13 325 827
Provision for bad debts	(9 095 839)	(12 104 115)
	10 609 630	3 585 185
Electricity		
Current (0 -30 days)	2 257 523	534 696
31 - 60 days	1 553 960	295 727
61 - 90 days	1 690 075	273 576
91 - 120 days	6 117 216	8 352 839
121 - 365 days	7 212 846	2 319 603
Provision for bad debts	(5 017 674)	(9 225 984)
	13 813 946	2 550 457
Water		
Current (0 -30 days)	2 286 190	5 933 860
31 - 60 days	1 338 258	4 084 558
61 - 90 days	1 287 590	4 442 335
91 - 120 days	79 065 193	16 078 998
121 - 365 days	7 490 847	18 958 841
Provision for bad debts	(78 958 004)	(38 779 893)
	12 510 074	10 718 699
Sewerage		
Current (0 -30 days)	1 652 902	814 468
31 - 60 days	1 421 954	476 762
61 - 90 days	908 790	458 711
91 - 120 days	48 311 722	28 167 405
121 - 365 days	5 948 850	2 668 655
Provision for bad debts	(49 885 667)	(25 529 648)
	8 358 551	7 056 353
Refuse		
Current (0 -30 days)	1 955 445	1 253 868
31 - 60 days	1 141 475	1 078 674
61 - 90 days	1 117 422	689 395
91 - 120 days	68 574 869	36 648 568
121 - 365 days	8 137 448	4 512 711
Provision for bad debts	(70 620 241)	(34 615 538)
	10 306 418	9 567 678
Other (specify)		
Current (0 -30 days)	225 664	2 250 395

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
8. Consumer debtors (continued)		
31 - 60 days	73 130	1 313 649
61 - 90 days	53 620	1 285 968
91 - 120 days	1 688 659	78 918 353
121 - 365 days	17 708 401	9 364 860
Provision for bad debts	(11 262 472)	(72 965 642)
	8 487 002	20 167 583
Summary of debtors by customer classification		
Consumers/Households		
Current (0 -30 days)	8 262 669	12 990 674
31 - 60 days	5 075 614	4 161 374
61 - 90 days	4 813 202	4 190 346
91 - 120 days	209 216 218	2 483 252
121 - 365 days	48 074 783	118 117 159
	275 442 486	141 942 805
Less: Provision for debt impairment		- (114 205 851)
	275 442 486	27 736 954
Industrial / Commercial / Other		
Current (0 -30 days)	537 532	11 575 898
31 - 60 days	439 390	2 782 695
61 - 90 days	503 903	2 213 658
91 - 120 days	4 270 831	2 145 105
121 - 365 days	1 523 930	69 202 410
	7 275 586	87 919 766
Less: Provision for debt impairment		- (66 910 855)
	7 275 586	21 008 911
National and provincial government		
Current (0 -30 days)	461 260	(1 433 988)
31 - 60 days	498 892	275 314
61 - 90 days	191 481	262 571
91 - 120 days	4 017 570	255 095
121 - 365 days	770 055	5 541 099
	5 939 258	4 900 091
Total		
Current (0 -30 days)	9 271 776	23 132 584
31 - 60 days	6 023 635	7 219 383
61 - 90 days	5 515 287	6 666 575
91 - 120 days	217 734 921	4 883 452

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
8. Consumer debtors (continued)		
121 - 365 days	50 379 912	192 860 668
	288 925 531	234 762 662
Less: Provision for debt impairment	(224 839 910)	(181 116 706)
	64 085 621	53 645 956
Less: Provision for debt impairment		
Total	(230 071 476)	(181 116 706)
Reconciliation of debt impairment provision		
Balance at beginning of the year	(181 116 706)	(122 465 792)
Contributions to provision	(56 657 462)	(79 879 078)
Debt impairment written off against provision	7 702 692	21 228 164
	(230 071 476)	(181 116 706)
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	242 381	9 796
Bank balances	5 423	-
Short-term deposits	4 052 602	3 646 403
Bank overdraft	(31 241 798)	(20 189 599)
	(26 941 392)	(16 533 400)
Current assets	4 300 406	3 656 199
Current liabilities	(31 241 798)	(20 189 599)
	(26 941 392)	(16 533 400)
10. Finance lease obligation		
Minimum lease payments due		
- within one year	4 712 091	4 775 060
- in second to fifth year inclusive	2 812 819	7 096 521
	7 524 910	11 871 581
less: future finance charges	(832 625)	(1 351 377)
Present value of minimum lease payments	6 692 285	10 520 204
Present value of minimum lease payments due		
- within one year	4 255 768	3 809 013
- in second to fifth year inclusive	2 436 517	6 711 191
	6 692 285	10 520 204

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
11. Conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MIG Grant	36 365 384	48 978 206
LED Grant	(1 183 215)	(843 914)
District Municipal Grant	(18 602 805)	(15 829 361)
Provincial Grants	(101 387)	(101 387)
Other Grants	2 000	2 000
	16 479 977	32 205 544
Movement during the year		
Balance at the beginning of the year	32 205 544	16 983 817
Received during the year	54 301 000	39 001 000
Income recognition during the year	(70 026 567)	(23 779 273)
	16 479 977	32 205 544

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

12. Provisions

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

12. Provisions (continued)

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	2 218 698	739 566	-	2 958 264
Employee benefit cost	1 897 607	-	(2 062)	1 895 545
	4 116 305	739 566	(2 062)	4 853 809

Reconciliation of provisions - 2010

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	1 479 132	739 566	2 218 698
Employee benefit cost	1 258 671	638 936	1 897 607
	2 737 803	1 378 502	4 116 305

13. Trade and other payables from exchange transactions

Trade payables	741 620	1 604 597
Payments received in advance	-	3 857 493
Staff leave accrual	6 606 288	6 606 288
Bonus	2 074 198	3 802 032
Deposits received	3 200	-

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
13. Trade and other payables from exchange transactions (continued)		
Other payables	3 126 618	2 588 825
	12 551 924	18 459 235
14. Consumer deposits		
Electricity	1 968 869	1 937 775
Regional services levies	28 182	25 910
	1 997 051	1 963 685
Guarantees held in lieu of electricity and water deposits	-	-
15. Property rates		
Rates received		
Residential / Commercial	14 807 432	14 295 173
State	8 906 753	8 212 913
Less: Income forgone	(34 504)	(16 989)
	23 679 681	22 491 097
16. Service charges		
Sale of electricity	42 262 616	30 730 886
Sale of water	22 360 537	26 165 305
Sewerage and sanitation charges	14 282 748	13 155 631
Refuse removal	16 355 977	15 922 186
Other service charges	165 392	267 539
	95 427 270	86 241 547

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
17. Government grants and subsidies		
Equitable share	133 873 936	107 565 127
Other Government Grant and Subsidies	1 950 000	1 485 000
MIG grant	62 478 002	21 933 813
	198 301 938	130 983 940

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive an average subsidy of R 179 (2010: R 167) monthly, which is funded from the grant.

MIG Grant

Balance unspent at beginning of year	48 978 206	33 396 018
Current-year receipts	52 351 000	37 516 000
Conditions met - transferred to revenue	(64 963 822)	(21 933 812)
	36 365 384	48 978 206

LED Grant

Balance unspent at beginning of year	(843 914)	(843 914)
Other	(342 303)	-
	(1 183 215)	(843 914)

District Municipal Grant

Balance unspent at beginning of year	(15 829 361)	(15 829 361)
Other	(2 773 444)	-
	(18 602 805)	(15 829 361)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

18. Rental of facilities and equipment

Rental of facilities	435 891	611 616
Other	-	77 276
	435 891	688 892

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
19. Other income		
Administration and management fees received - third party	1 466 897	4 177 303

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
20. General expenses		
Advertising	375 267	192 593
Disaster management	93 683	78 216
Auditors remuneration	3 111 857	3 394 599
Bank charges	137 022	156 336
Billing charges	63 618	57 747
Chemicals	4 128 048	3 530 306
Cleaning	209 455	63 895
Town planning	385 273	236 150
Computer expenses	501 872	802 108
Conferences and delegations	74 034	35 597
Analysis	39 019	17 595
Consulting and professional fees	890 438	3 429 772
Consumables	142 299	95 966
Landfill site provision	-	739 566
Industrial council levy	31 976	414 249
Departmental administration cost	13 026 895	12 406 566
Departmental consumption	1 087 314	3 787 023
Entertainment	586 572	193 852
Ward committee expenses	400 466	358 500
Streetlight electricity consumption	4 856 411	1 027 994
Indigent and pauper burials	101 491	42 717
Fuel and oil	2 729 011	2 453 372
Skills development levy	758 060	538 612
Insurance	3 808 501	2 478 825
Lease rentals on operating lease	1 665 011	655 679
Levies paid	2 137 574	-
Youth expenditure	857 664	567 535
Casualty insurance	129 448	467 239
Other expenses	1 773 498	1 988 986
Postage and courier	999 228	981 879
Printing and stationery	1 095 928	1 183 773
Publicity	1 198 840	354 846
Protective clothing	80 455	162 509
License fees	817 340	1 513 031
Security (Guarding of municipal property)	55 933	42 798
Subscriptions and membership fees	10 695	71
Telephone and fax	1 162 192	1 209 637
Valuation costs	294 130	614 071
Training	1 678 752	410 462
Travel and subsistence	1 901 176	1 493 202
IDP establishment	174 606	300 927
	53 571 052	48 478 801

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
21. Employee related costs		
Basic	52 995 506	51 971 449
Medical contributions	4 696 462	4 476 531
UIF contributions	630 179	543 761
SDL	710 161	163 850
Pension contributions	7 955 318	7 913 482
Travel, motor car, accommodation, subsistence and other allowances	6 555 298	4 015 095
Overtime payments	3 073 742	3 348 110
Housing benefits and allowances	201 009	255 364
Bonus	2 532 071	6 407 180
Casual wages	555 763	667 128
Group insurance	133 928	127 487
Cellphone allowance	1 702 285	348 097
Long-service awards	-	143 330
	81 741 722	80 380 864
Remuneration of municipal manager		
Annual Remuneration	828 039	887 598
Contributions to UIF, Medical and Pension Funds	167 175	24 823
Travel, motor car, accommodation, subsistence and other allowances	68 471	139 586
	1 063 685	1 052 007
Remuneration of Chief Finance Officer		
Annual Remuneration	626 262	422 660
Contributions to UIF, Medical and Pension Funds	178 898	165 508
Travel, motor car, accommodation, subsistence and other allowances	164 416	148 590
	969 576	736 758
Remuneration of Corporate Services Director		
Annual Remuneration	664 304	518 004
Contributions to UIF, Medical and Pension Funds	204 682	143 609
Travel, motor car, accommodation, subsistence and other allowances	116 948	100 141
	985 934	761 754
Remuneration Community and Economic Services Director		
Annual Remuneration	627 405	597 720
Contributions to UIF, Medical and Pension Funds	194 037	112 276
Travel, motor car, accommodation, subsistence and other allowances	151 503	140 951
	972 945	850 947

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
22. Remuneration of councillors		
Mayor	437 069	758 546
Speaker	349 652	-
Councillors	6 275 222	7 254 603
Executive Committee Members	1 081 740	-
	8 143 683	8 013 149
In-kind benefits		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
23. Depreciation and amortisation		
Property, plant and equipment	18 613 645	30 968 307
24. Finance costs		
Bank	122 929	460 579
Current borrowings	2 727 193	3 599 240
	2 850 122	4 059 819
25. Auditors' remuneration		
Fees	3 111 857	3 394 599
26. Grants and subsidies paid		
Other subsidies		
Distitutional help	8 605 529	8 915 767
Grants and donations	9 656	40 673
Free electricity - Eskom	4 769 744	5 905 278
	13 384 929	14 861 718
Grants paid to ME's	-	-
Other subsidies	13 384 929	14 861 718
27. Bulk purchases		
Electricity	30 341 173	26 119 580
28. Cash generated from operations		

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
28. Cash generated from operations (continued)		
Surplus (deficit)	70 717 862	(26 765 660)
Adjustments for:		
Depreciation and amortisation	18 613 645	30 968 307
Debt impairment	56 657 462	79 879 079
Movements in provisions	737 504	1 378 502
Other non-cash items	276 638	94 791
Changes in working capital:		
Inventories	(462 495)	(539 775)
Trade and other receivables from exchange transactions	(4 536)	-
Other receivables from non-exchange transactions	943 669	(663 102)
Consumer debtors	(70 954 622)	(52 452 816)
Trade and other payables from exchange transactions	(2 049 818)	(2 156 718)
VAT receivable / payable (Amend as appropriate)	(4 394 237)	(485 943)
Taxes and transfers payable (non exchange)	4 859 141	(3 753 552)
Conditional grants and receipts	(15 725 567)	15 763 768
Consumer deposits	33 366	109 803
	59 248 012	41 376 684

29. Capital commitments

29.1 Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure	28 060 562	131 714 516
• Community	-	117 535
• Other	-	391 104
	28 060 562	132 223 155

This expenditure will be financed from

• Government grants	28 060 562	131 714 516
• Own resources	-	508 639
	28 060 562	132 223 155

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011	2010
	R	R

30. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004. Details of loans, together with the conditions thereof, granted prior to this date are disclosed below.

31. Comparative figures

Certain comparative figures have been reclassified.

32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	74 834 259	2 639 032
Unauthorised expenditure - current year	-	72 195 227
Approval by Council or Condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
33. Unauthorised expenditure (continued)		
	74 834 259	74 834 259
34. Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	1 347 142	610 424
Fruitless and wasteful expenditure - current year	-	736 718
Condoned or written off by Council	-	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	1 347 142	1 347 142
35. Irregular expenditure		
Opening balance	27 108 966	21 664 619
Irregular Expenditure - current year	-	5 444 347
Amounts condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-
	27 108 966	27 108 966
36. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	435 185	435 185
Material losses through criminal conduct		
Additional text		
Audit fees		
Opening balance	-	324 899
Current year subscription / fee	3 111 857	3 394 599
Amount paid - current year	(3 111 857)	(3 719 498)
	-	-
Additional text		

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
--	-----------	-----------

36. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	8 468 466	1 685 092
Amount paid - current year	(8 468 466)	(1 685 092)
	-	-

Additional text

Pension and Medical Aid Deductions

Current year subscription / fee	24 453 103	21 101 967
Amount paid - current year	(24 453 103)	(21 101 967)
	-	-

Additional text

VAT

VAT receivable	6 829 677	2 435 440
----------------	-----------	-----------

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor T.B Jakobo	532	4 370	4 902
Councillor M. Malebo	482	1 401	1 883
Councillor M. Malebo	778	7 390	8 168
Councillor T.D Zim	374	1 035	1 409
Councillor T.D Zim	440	6 995	7 435
	2 606	21 191	23 797

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2010	Highest outstanding amount	Aging (in days)
Councillor T.B Jakobo	4 902	693
Councillor M. Malebo	1 883	244

Setso Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
36. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillor M. Malebo	8 168	885
Councillor T.D Zim	1 409	230
Councillor T.D Zim	7 434	939
	23 796	2 991
37. Deviation from supply chain management regulations		
38. VAT payable		
VAT payable	16 927 633	12 068 492
39. Revenue		
Property rates	23 679 681	22 491 097
Service charges	95 427 270	86 241 547
Rental of facilities & equipment	435 891	688 892
Fines	296 925	295 724
Licences and permits	756	4 706
Government grants & subsidies	198 301 938	130 983 940
	318 142 461	240 705 906
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	95 427 270	86 241 547
Rental of facilities & equipment	435 891	688 892
Licences and permits	756	4 706
	95 863 917	86 935 145
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	23 679 681	22 491 097
Fines	296 925	295 724
Government grants & subsidies	198 301 938	130 983 940
	222 278 544	153 770 761
40. Other revenue		
Administration and management fees received - related party	13 026 896	12 406 566
Sale of land	1 184 211	58 687
Other income	1 466 897	4 177 303
	15 678 004	16 642 556

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

	2011 R	2010 R
41. Debt impairment		
Debt impairment	3 054 053	-
Contributions to debt impairment provision	53 603 409	79 879 079
	56 657 462	79 879 079

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011
Appendix A: Schedule of external loans

Setsoto Local Municipality

Appendix A

June 2011

Schedule of external loans as at 30 June 2011

Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		

Development Bank of South Africa

DBSA	100	2012/06/30	2 143 763	-	889 064	1 254 699	-	-
DBSA	101	2012/06/30	386 305	-	160 209	226 096	-	-
DBSA	200	2012/06/30	1 298 170	-	538 378	759 792	-	-
DBSA	201	2010/09/30	10 317	-	10 317	-	-	-
DBSA	301	2020/06/30	2 087 504	-	91 489	1 996 015	-	-
DBSA	404	2012/06/30	366 172	-	151 859	214 313	-	-
DBSA	525	2024/12/31	6 613 914	-	195 531	6 418 383	-	-
DBSA	526	2011/12/31	1 556 854	-	1 008 891	547 963	-	-
			14 462 999	-	3 045 738	11 417 261	-	-

Lease liability

Wesbank	528	2009/11/01	851	-	851	-	-	-
Wesbank	529	2010/08/31	4 576	-	2 698	1 878	-	-
Wesbank	530	2010/08/31	3 943	-	2 699	1 244	-	-
Wesbank	531	2010/08/31	10 220	-	8 055	2 165	-	-
Wesbank	532	2010/09/31	7 339	-	7 339	-	-	-
Wesbank	533	2010/10/31	9 745	-	9 745	-	-	-
Wesbank	534	2010/10/31	9 745	-	9 745	-	-	-
Wesbank	535	2012/11/30	1 524 462	-	533 928	990 534	-	-
Wesbank	536	2012/11/30	3 007 597	-	1 053 382	1 954 215	-	-
Bankfin	537	2012/04/30	1 211 422	-	626 867	584 555	-	-
Bankfin	538	2014/04/30	2 728 093	-	592 921	2 135 172	-	-
Fintech	539	2012/03/31	1 214 193	-	625 541	588 652	-	-
Fintech	540	2012/07/31	788 018	-	354 148	433 870	-	-
			10 520 204	-	3 827 919	6 692 285	-	-

Annuity loans

Sanlam	409	2010/09/30	28 908	-	28 908	-	-	-
--------	-----	------------	--------	---	--------	---	---	---

Setsoto Local Municipality

Appendix A

June 2011

Schedule of external loans as at 30 June 2011

Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		28 908	-	28 908	-	-	-
Total external loans							
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		14 462 999	-	3 045 738	11 417 261	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability		10 520 204	-	3 827 919	6 692 285	-	-
Annuity loans		28 908	-	28 908	-	-	-
Government loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		25 012 111	-	6 902 565	18 109 546	-	-

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Supplementary Information

Appendix B: Analysis of property, plant and equipment

Setso Local Municipality
Setso Local Municipality
Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	42 473	-	-	-	30 437	-	72 910	-	-	-	-	-	-	72 910
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	42 473	-	-	-	30 437	-	72 910	-	-	-	-	-	-	72 910
Infrastructure														
Roads, Pavements & Bridges	88 698	12 512	-	-	-	(7 408)	93 802	(43 955)	-	(25 967)	(1 821)	-	(71 743)	22 059
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	24 649	420	-	-	-	(3 420)	21 649	(17 186)	-	7 126	(662)	-	(10 722)	10 927
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	92 613	36 489	-	-	-	33 591	162 693	(62 885)	-	(47 728)	(4 954)	-	(115 567)	47 126
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	239 421	12 666	-	-	-	(4 601)	247 486	(60 294)	-	(141 782)	(6 411)	-	(208 487)	38 999
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	445 381	62 087	-	-	-	18 162	525 630	(184 320)	-	(208 351)	(13 848)	-	(406 519)	119 111
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	3 356	-	-	-	503	-	3 859	(2 849)	-	2 849	-	-	-	3 859
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic buildings	4 068	-	-	-	(2 468)	-	1 600	(2 343)	-	2 343	-	-	-	1 600
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	7 424	-	-	-	(1 965)	-	5 459	(5 192)	-	5 192	-	-	-	5 459

Setsotho Local Municipality
Setsotho Local Municipality
Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 519	1 903	-	-	-	(1 245)	3 177	(2 295)	-	1 082	(430)	-	(1 643)	1 534
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	3 837	481	-	-	-	(3 837)	481	(2 014)	-	2 014	(96)	-	(96)	385
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance lease assets	28 547	-	-	-	-	(13 189)	15 358	(13 045)	-	7 277	(2 954)	-	(8 722)	6 636
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	808	-	-	-	-	4 594	5 402	(332)	-	(4 571)	(188)	-	(5 091)	311
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicles	1 905	2 140	-	-	-	10 222	14 267	(2 541)	-	(6 474)	(1 099)	-	(10 114)	4 153
	37 616	4 524	-	-	-	(3 455)	38 685	(20 227)	-	(672)	(4 767)	-	(25 666)	13 019
Total property plant and equipment														
Land and buildings	42 473	-	-	-	30 437	-	72 910	-	-	-	-	-	-	72 910
Infrastructure	445 381	62 087	-	-	-	18 162	525 630	(184 320)	-	(208 351)	(13 848)	-	(406 519)	119 111
Community Assets	7 424	-	-	-	(1 965)	-	5 459	(5 192)	-	5 192	-	-	-	5 459
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	37 616	4 524	-	-	-	(3 455)	38 685	(20 227)	-	(672)	(4 767)	-	(25 666)	13 019

June 2011

Cost/Revaluation

Agricultural/Biological assets

Agricultural
Biological assets

Intangible assets

Computers - software & programming
Other

Investment properties

Investment property

Total

Land and buildings
Infrastructure
Community Assets
Heritage assets
Specialised vehicles
Other assets

Agricultural/Biological assets
Intangible assets
Investment properties

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

Setsoto Local Municipality

Appendix D

June 2011

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
8 821 064	41 084 148	(32 263 084)	Executive & Council/Mayor and Council	6 831 724	38 529 149	(31 697 425)
55 473 310	34 051 940	21 421 370	Finance & Admin/Finance	40 352 469	35 509 995	4 842 474
45 904	86 487	(40 583)	Health/Clinics	-	19 582	(19 582)
404 162	5 359 301	(4 955 139)	Comm. & Social/Libraries and archives	305 140	4 635 710	(4 330 570)
55 642	3 085 879	(3 030 237)	Housing	1 184 254	3 204 262	(2 020 008)
288 820	5 548 347	(5 259 527)	Public Safety/Police	292 116	5 856 629	(5 564 513)
68 707	10 252 438	(10 183 731)	Sport and Recreation	61 736	8 467 388	(8 405 652)
-	37 440	(37 440)	Environmental Protection/Pollution Control	1 266	-	1 266
81 259 312	90 925 031	(9 665 719)	Waste Water Management/Sewerage	83 439 307	62 326 361	21 112 946
10 354 738	18 051 683	(7 696 945)	Road Transport/Roads	32 594 606	14 327 959	18 266 647
50 022 479	50 117 132	(94 653)	Water/Water Distribution	93 114 486	48 269 878	44 844 608
68 734 191	43 683 088	25 051 103	Electricity /Electricity Distribution	76 797 426	56 127 025	20 670 401
-	11 059	(11 059)	Other/Air Transport	(616)	800	(1 416)
275 528 329	302 293 973	(26 765 644)		334 973 914	277 274 738	57 699 176

Setsoto Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Setsoto Local Municipality

Appendix E(1)

June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2011 Act. Bal.	Current year 2011 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Property rates	23 679 681	22 845 685	833 996	3,7	
Service charges	95 427 270	87 726 969	7 700 301	8,8	
Rental of facilities and equipment	435 890	631 294	(195 404)	(31,0)	The budgeted amount was under-budgeted
Interest received (trading)	11 835 982	18 389 000	(6 553 018)	(35,6)	This is due to an increase in outstanding debtors
Fines	296 925	354 448	(57 523)	(16,2)	The budget amount was under-budgeted
Licences and permits	756	-	756	-	
Government grants & subsidies	198 301 938	227 862 925	(29 560 987)	(13,0)	This is due to an increase in Equitable share allocation
Administration and management fees received	13 026 895	13 026 895	-	-	
Sale of land	1 184 211	-	1 184 211	-	
Other income	1 466 896	3 678 531	(2 211 635)	(60,1)	
Interest received - investment	2 344 364	2 040 030	304 334	14,9	
	348 000 808	376 555 777	(28 554 969)	(7,6)	
Expenses					
Personnel	(81 741 725)	(79 332 678)	(2 409 047)	3,0	
Remuneration of councillors	(8 143 684)	(8 317 018)	173 334	(2,1)	
Depreciation	(18 613 646)	(26 567 629)	7 953 983	(29,9)	Implementtion of GRAP
Finance costs	(2 850 120)	(9 759 697)	6 909 577	(70,8)	
Debt impairment	(56 657 462)	(37 932 928)	(18 724 534)	49,4	
Collection costs	(23 394)	(35 609)	12 215	(34,3)	The budget was under-budgeted
Repairs and maintenance - General	(11 955 767)	(8 780 282)	(3 175 485)	36,2	Increase in infrustructural repairs
Bulk purchases	(30 341 173)	(32 070 798)	1 729 625	(5,4)	
Grants and subsidies paid	(13 384 929)	(24 943 633)	11 558 704	(46,3)	Average increase in indigent households
General Expenses	(53 571 048)	(148 813 407)	95 242 359	(64,0)	
	(277 282 948)	(376 553 679)	99 270 731	(26,4)	
Other revenue and costs					
Net surplus/ (deficit) for the year	70 717 860	2 098	70 715 762	627,4	